Roll Out Plan

2017 CO_2 and Fuel Economy Trends Report

and

Manufacturer GHG Performance Report for Model Year 2016

Target Announcement Date: Week of 1/8/2018

Overview

EPA is releasing two related and complementary reports regarding fuel economy and GHG emissions from light duty vehicles.

2017 CO_2 and Fuel Economy Trends Report

The annual "Trends" report is the authoritative reference for, fuel economy, technology trends, and tailpipe carbon dioxide (CO_2) emissions for new personal vehicles sold in the U.S. every year since 1975. The report does not address compliance or policy but mainstream and trade press routinely report on the short-term and long-term fuel economy trends, and the industry often use the trends data in advertising and making comparisons to competitors.

Highlights:

- The MY 2016 vehicle fuel economy is 24.7 mpg, which is 0.1 mpg higher than MY 2015, and is a record high. All vehicle types are at or very near all-time high fuel economy.
- Since MY 2004, CO_2 emissions and fuel economy have improved in ten out of twelve years.
- Real world CO_2 emissions rate for model year 2016 vehicles is 359 g/mi, 2 g/mi lower than MY 2015 levels, and the lowest emissions level ever.

Manufacturer GHG Performance Report for Model Year 2016

The annual "Manufacturer Performance Report" details compliance data, both for individual automakers and fleetwide, with the National Program greenhouse gas (GHG) emissions standards. This report addresses compliance through Model Year 2016, the last year for which we have final compliance data.

Highlights:

- Manufacturers representing 99 percent of U.S. sales reported compliance with the standards through model year 2016.
- The 2016 standards were 11 g/mi more stringent than 2015 standards, and overall industry performance in model year 2016 was 9 g/mi higher than the 2016 GHG emissions standard.

- Using flexibilities built into the regulation, eight of 13 major manufacturers used emissions credits banked earlier in the program to comply.

Desk Statement

Today EPA issued two annual reports that provide information on fuel economy and greenhouse gas emissions from light duty vehicles in the United States. The reports show that auto manufacturers continue to innovate and make progress increasing fuel economy and reducing pollution.

The *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975-2017* report is the authoritative reference for real world fuel economy, technology trends and tailpipe carbon dioxide emissions, for new personal vehicles sold in the U.S. every year since 1975. The report shows that fuel economy for the U.S. fleet continues to improve. Model year (MY) 2016 vehicle fuel economy was 24.7 mpg, slightly higher than MY 2015, and a record high overall. Since MY 2004, fuel economy and CO_2 emissions have improved in ten out of twelve years.

The Manufacturer Performance Report assesses compliance performance for individual automakers and for the U.S. fleet as a whole with the greenhouse gas emissions standards for light duty vehicles. This year's report shows that all manufacturers are in compliance with standards.

EPA, the Department of Transportation, and the California Air Resources Board implement coordinated regulations for passenger cars and light trucks on fuel economy and GHG emissions.

Press Ready Questions and Answers

What is the difference between these two reports?

Both reports are based on the same data, which is reported to EPA by manufacturers as part of existing emission and fuel economy regulatory programs. The "Trends" report is an analysis of over 40 years of this data and focuses on technology trends and real world fuel economy and GHG emissions. The "GHG Performance" report details how manufacturers are complying with the existing GHG standards, and presents data on unadjusted CO2 emissions.

What is the difference between "real world" and unadjusted fuel economy and CO2 emissions?

In the early 1970s EPA used two tests to evaluate vehicle fuel economy. The legislation establishing CAFE required CAFE to be based on those two tests, and it has ever since. The GHG standards are also based on those original two tests for consistency with CAFE. Over time however it became clear that changing technology and driving habits were leading to consumers getting fuel economy that differed from the two original test cycles. To correct this, EPA now bases real world fuel economy values on 5 test cycles that account for use of air conditioning, cold temperature, higher speeds, and faster acceleration. These are the fuel economy values that consumers see on new vehicle fuel economy

labels. Today's fuel economy label values are approximately 20% lower than unadjusted or compliance fuel economy values.

It looks like GHG emissions were down in the Trends report, but increased in the GHG Performance report. Is this correct?

Both reports show that tailpipe GHG emissions were down in MY 2016 compared to MY 2015. The GHG Performance report shows the overall performance of the industry compared to the GHG standards. This includes tailpipe emissions and several optional credit programs, including off-cycle credits and credits for air conditioning improvements. The overall GHG performance value for manufacturers increased in MY 2016 from MY 2015 because flexible fuel credits were eliminated in MY 2016, not because tailpipe emissions increased.

If I compare these results to last year's reports....

Stop! Both of these reports supersede previous reports and are not comparable to last year's (or previous) versions.

The auto industry underperformed compared to their standards in MY2016 for the first time. Is this a signal that the program is too stringent and standards should be relaxed?

EPA is in the process of reconsidering the appropriate level of stringency of the standards for model years 2022-2025 as part of the "Midterm Evaluation." The EPA Administrator has separately requested comment, aside from the Midterm Evaluation, on the question of whether the standards for MY2021 are appropriate. EPA is carefully considering public comments and reviewing the best available data to inform these issues. The Administrator plans to make a new Final Determination on this issue by April 1, 2018, per the EPA regulations.

It looks like EPA changed their methodology in the Trends report. What's different?

EPA continually strives to improve the accuracy of our fuel economy labels so consumers have the best information available when making purchasing decisions. An update to the methodology was made to incorporate more recent and representative data into fuel economy label values for model years 2011-2016. The result of this change is small. After the update, average fuel economy values for the U.S. fleet were 0.1 to 0.2 mpg lower for the years 2011 to 2016.

The updates in this year's report ensure the methods are consistent with EPA's fuel economy labels and the fuel economy values published on [HYPERLINK "http://www.fueleconomy.gov" \h]. It also provides readers of the report the most accurate data for comparison with the historical database.

Is EPA concerned that two manufacturers (Jaguar Land Rover and Volvo) ended the 2016 model year with a deficit?

The GHG standards program allows averaging, banking, and trading, or ABT. The program was designed with the expectation that manufacturers will occasionally generate deficits. Deficits may be carried forward for three model years, meaning that a deficit from the 2016 model year does not have to be offset until the close of the 2019 model year. This gives the manufacturers time to generate or purchase credits to meet the standards.

Why are FCA and Volkswagen shown at the bottom of some tables?

The Department of Justice, on behalf of EPA, alleged violations of the Clean Air Act by Fiat Chrysler Automobiles (FCA) based on the sale of certain 2014 through 2016 model year vehicles equipped with devices that defeat the vehicles' emission control systems. In addition, the Department of Justice and EPA have reached a settlement with Volkswagen over the use of defeat devices for certain 2009 through 2016 model year vehicles. In this report, EPA uses the CO_2 emissions and fuel economy data from the initial certification of these vehicles. Should the investigation and corrective actions yield different CO_2 and fuel economy data, any relevant changes will be used in future reports. These companies are reported separately because their data is not considered final due to these actions.

Materials

Internal:

- Roll Out, Q/As

External:

- Desk Statement (if needed)

- Web Updates

Plans for Roll Out

One week prior to release:

- Finalize reports, make changes in response to NHTSA comments

1-2 days prior to release:

- Brief Alliance, Global, selected automakers and suppliers who have contacted us.
- California Air Resources Board
- NGOs who have contacted us

Tick-tock for day of release

- 10:45 – update websites for both reports
- 11:00 – Issue press release
- 11:30 – Follow on press inquiries with Chris as needed

Anticipated Reactions

Deliberative Process / Ex. 5

Deliberative Process / Ex. 5